INFORMATION BULLETIN

November 5, 2014 **2014-9**

REDUCTION OF THE TAX ASSISTANCE GRANTED TO MUNICIPALITIES

As part of the government's approach to putting public finances in order, which calls on everyone to do their part, changes will be made to two tax measures currently available to municipalities, namely, the partial rebate of the Québec sales tax (QST), granted to all municipalities, and compensation for the elimination of the duties on amusements, paid to the cities of Montréal, Québec and Laval.

❑ Partial rebate of the QST

Since January 1, 2014, municipalities and persons designated to be municipalities have been entitled to a partial rebate of 62.8% of the QST paid on property and services acquired to make their exempt supplies.

As of January 1, 2015, the rate of the rebate will be reduced from 62.8% to 50%, the same rate applicable to charities and qualifying non-profit organizations.

The partial QST rebate at the new rate of 50% will apply to acquisitions of property and services by municipalities and persons designated to be municipalities, or their property brought into Québec, regarding which the tax becomes payable after December 31, 2014, or would have become payable after that date if the consideration for the property or service had not been paid before January 1, 2015.

❑ Compensation for the elimination of the duties on amusements

When the QST system was introduced in July 1992, the government eliminated the duties on amusements that certain municipalities had been levying, in order to take over that tax field. To compensate municipalities for the shortfall attributable to the elimination of the duties, the government granted temporary financial assistance to all municipalities, from 1992 to 1996, drawn from QST receipts.

Subsequently, only the cities of Montréal and Québec continued to receive compensation for the loss of that tax field, with the measure later being extended to the Ville de Laval as of 2001.

As of 2015, the amount of the financial assistance paid annually to these municipalities as compensation for the elimination of the duties on amusements will be cut in half and the applicable indexing mechanism will be abolished. Consequently, as of 2015, the cities of Montréal, Québec and Laval will receive 50% of the amount paid to them in this respect in 2014.

For information concerning the matters dealt with in this information bulletin, contact the Secteur du droit fiscal et des politiques locales et autochtones at 418 691-2236.

The English and French versions of this bulletin are available on the Ministère des Finances website at: www.finances.gouv.qc.ca.